BT&Co. P.A.

Certified Public Accountants

HIGHLAND COMMUNITY COLLEGE

BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

HIGHLAND COMMUNITY COLLEGE
BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2020

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Year Ended June 30, 2020

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Highland Community College:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Highland Community College (the College), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Highland Community College Foundation (the Foundation), the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, applicable provisions of the Kansas Municipal Audit and Accounting Guide, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2020, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedules listed under supplementary information in the accompanying table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards (Uniform Guidance)*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules listed under supplementary information in the accompanying table of contents including the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2021 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

BT&Co, P.A.

February 18, 2021
Topeka, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Introduction

This section of HCC's Basic Financial Statements and Supplementary Information presents management's discussion and analysis of the College's financial performance during the fiscal year ended June 30, 2020, and is designed to focus on current activities. Therefore, please read this MD&A in conjunction with the accompanying financial statements and footnotes. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. The financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) principles. HCC has adopted GASB statements 34 and 35 on *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. The standards established by the GASB principles were used for preparation of public college financial statements that focus on aggregate operations, versus the previous standards that focus on the activity of an individual fund. The report consists of three basic financial statements that provide information on the College as a whole: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. Comparative data from prior year will also be discussed.

Background

HCC serves over all or parts of nine counties in Kansas with authority to levy taxes on one: Doniphan County. HCC's revenue sources for the general fund are received from the State of Kansas, students, the taxpayers of Doniphan County, and other sources.

The Kansas Board of Regents is responsible for the coordination of all 19 Kansas community colleges and for the governance and coordination of the public universities and technical schools and colleges in Kansas. A locally elected Board of Trustees, made up of six residents of Doniphan County, govern HCC.

The State of Kansas, through oversight by the Kansas Board of Regents, provides the College with an operating grant, which was historically based upon the College's full-time equivalency enrollment of Kansas residents. Other funds provided through the Kansas Board of Regents include Capital Outlay funds for technical credit courses, Technology Grant funds for student technology upgrades in the College, and Tuition Waivers for Kansas High School students participating in Postsecondary Technical Education Courses.

Fiscal year 2011 was the last year for funding for Kansas Community Colleges under Senate Bill 345. The new operating grant funding system went into effect for fiscal year 2012. However, because of the condition of the state budget, community college funding has essentially changed to a block grant. With state aid frozen for the foreseeable future, HCC has become more reliant on student tuition and fee generation.

HCC continues to receive postsecondary aid and capital outlay funds for the technical credit courses. The revenues and the tuition and fees generated by the technical courses are received into a separate Postsecondary Technical Education fund to support the operations of the technical center in Atchison, and to provide technical course offerings at the College's other locations. The State's funding mechanism for Technical Education is also through an operating grant, which is quite similar to the operating grant provided to community colleges. The operating grant for Technical Education has also changed into a block grant format.

Economic Outlook

The COVID-19 pandemic has had a negative impact on student enrollment and HCC expects on-campus enrollment to continue to decrease in the Spring 2021 semester compared with the prior year. HCC is attempting to offset the on-campus enrollment decrease with online enrollment but has not seen a positive impact as of yet with the pandemic uncertainty and competition from other colleges. HCC did receive federal, state and local stimulus funds which were very helpful to offset additional pandemic costs. HCC has been awarded an additional $ 1,831,444 in federal stimulus institutional funds that can be used to offset future pandemic expenses in FY21 and FY22. HCC is unsure if future stimulus funds will be received.

Funding of higher education will remain limited from traditional state and federal sources. With decreasing enrollment, HCC will continue to increase its marketing to online students and also evaluate adding higher demand programs that could help turn around the trend of decreasing enrollment. In addition, HCC will evaluate Grant opportunities such as the Title III Strengthening the Institution Grant to help fund needs of the college.

Using This Annual Report

The financial statements focus on the College as a whole. The College's financial statements are designed to emulate corporate presentation models whereby the College activities are consolidated into one total. The focus of the Statement of Net Position is designed to be similar to bottom line results for the College. This financial statement combines and consolidates current financial resources (short-term unrestricted resources) with capital assets and long-term liabilities. The Statement of Revenues, Expenses, and Changes in Net Position focuses on operating revenue, operating expenses by function, and non-operating revenue/expenses which are supported mainly by tuition and fees, property taxes, state, federal, and other revenues. This approach is intended to summarize and simplify the user's analysis of cost related to college service to students and the public.

The remainder of the MD&A highlights the structure and contents of the primary government's financial statements. For detailed information pertaining to the Foundation (the College's discretely presented component unit), refer to the separately issued Foundation financial statements for the year ended June 30, 2020.

Comparative Analysis of Net Position – Fiscal Years 2020 and 2019

	Net Position as of June 30		Increase	Percent
	2020	2019	(Decrease)	Change
ASSETS				
Current assets	$ 4,037,408	$ 2,399,961	$ 1,637,447	68.2%
Capital assets	16,745,223	16,388,834	356,389	2.2%
Other assets	368,029	407,138	(39,109)	-9.6%
Total assets	21,150,660	19,195,933	1,954,727	10.2%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pensions	55,567	96,616	(41,049)	-33%
Deferred outflows - OPEB	141,330	8,666	132,664	0.0%
Total deferred outflows of resources	196,897	105,282	91,615	87%
LIABILITIES				
Current liabilities	1,587,819	1,722,518	(134,699)	-7.8%
Non-current liabilities	4,930,606	2,954,015	1,976,591	66.9%
Total liabilities	6,518,425	4,676,533	1,841,892	39.4%
DEFERRED INFLOWS OF RESOURCES				
Deferred outflows - pensions	80,132	80,906	(774)	-0.9%
Deferred outflows - OPEB	96,063	77,050	19,013	24.7%
Total deferred outflows of resources	176,195	157,956	18,239	11.5
NET POSITION				
Net investment in capital assets	12,148,256	13,590,361	(1,442,105)	-10.6%
Restricted	2,660	2,660	-	0.0%
Unrestricted	2,502,021	873,705	1,628,316	186.4%
Total net position	$ 14,652,937	$ 14,466,726	$ 186,211	1.3%

This schedule is prepared from the college's Statement of Net Position (pages 10-11) which is presented on an accrual basis of accounting and the economic resources measurement focus whereby assets are capitalized and depreciated.

The College's total net position at June 30, 2020, increased from $14,466,726 to $14,652,937 which is an increase of 1.3%.

In fiscal year 2020, the College's total assets increased from $19,195,933 to $21,150,660, an increase of 10.2%.

- Current assets increased from $2,399,961 to $4,037,408. The increase in current assets of $1,637,447 is primarily a result of an increase in cash and cash equivalents compared with FY19. This is due to the cash received for the 2019 Series COP's issued with Security Bank that will be used to pay for the new Diesel Technology Center in FY21.
    - Cash and cash equivalents increased $2,105,578 from $1,222,003 to $3,327,581.
    - Grants receivable increased $3,148.
    - Accounts receivable decreased $453,122 from $1,052,464 to $599,342. This was primarily due to an insurance receivable of $553,349 recorded in FY19 that was received in FY20.
    - Prepaid and Inventories decreased $18,157.
- Noncurrent assets (Capital and Other assets) increased $317,280 from $16,795,972 to $17,113,252.
    - Fully depreciated capital assets in the amount of $2,505,777 were disposed of and written off in FY20.
    - Capital assets purchased in the year were primarily for an agricultural building, roof upgrades, electrical building remodel and three apartment duplexes.
    - Accumulated depreciation increased $1,008,028 in the year after considering the disposed assets and accumulated depreciation written off in FY20.
    - Assets held for resale was $149,167 compared with $160,912 the previous year. The Building Trade home recorded in the amount of $149,167 was sold shortly after the FY20 year end.
    - Restricted investments were the same for both years.
    - Textbook inventory decreased $27,364 from $243,566 to $216,202.

Total liabilities increased $1,841,892 from $4,676,533 to $6,518,425 or 39.4%.

- Current liabilities decreased $134,699 from $1,722,518 to $1,587,819 primarily due to a decrease of $346,632 in accounts payable and accrued liabilities.
- Noncurrent liabilities increased $1,976,591 from $2,954,015 to $4,930,606 primarily as a result of debt refinancing to pay for the new Diesel Technology Center in FY21.
    - Accounts payable and accrued liabilities decreased $346,632 from $945,674 to $599,042.
    - Unearned revenue increased $239,284 from $217,210 to $456,494.
    - Accrued compensated absences increased $23,407 from $247,231 to $270,638.
    - Loans payable increased $1,798,494 from $2,798,473 to $4,596,967 due to debt refinancing to build the new Diesel Technology Center in FY21.

Fiscal Years 2020 and 2019 Financial Highlights

At June 30, 2020 the College's net position increased from $14,466,726 to $14,652,437 or an increase of $186,211 or 1.3%.

	Year Ended June 30		Increase	Percent
	2020	2019	(Decrease)	Change
Operating revenues	$ 16,106,325	$ 14,620,400	$ 1,485,925	11.6%
Nonoperating revenues	8,840,396	9,229,052	(388,656)	-4.2%
Total revenues	24,946,721	23,849,452	1,097,269	4.6%
Operating expenses	24,629,073	22,949,664	1,679,409	7.3%
Nonoperating expenses	131,437	142,996	(11,559)	-8.1%
Total expenses	24,760,510	23,092,660	1,667,850	7.2%
Increase in net position	186,211	756,792	(570,581)	-75.3%
Net position, beginning of year	14,466,726	13,709,934	756,792	5.5%
Net position, end of year	$ 14,652,937	$ 14,466,726	$ 186,211	1.3%

- Total revenues increased $1,097,269 from $23,849,452 to $24,946,721 or 4.6%.
- Total expenses increased $1,667,850 from $23,092,660 to $24,760,510 or 7.2%.

Fiscal Years 2020 and 2019 Comparative Statement of Cash Flows

The Statement of Cash Flows presents information on the College's sources and uses of cash. Operating activities primarily reflect receipt of tuition and fees, grants, and auxiliary enterprises. It also reflects payments to suppliers, employees and employee benefits, and payments for scholarships. Non-capital financing activities are mainly those monies received from the state operating grant, post-secondary grant aid, and from the local tax base. Cash from capital and related financing activities is the cash proceeds from the debt restructuring offset by capital asset purchases and long-term debt principal payments.

Cash and cash equivalents increased by 171.9% in fiscal year 2020. The four categories as defined by GASB are shown below:

	June 30		Increase	Percent
	2020	2019	(Decrease)	Change
Operating activities	$ (6,764,515)	$ (6,616,946)	$ (147,569)	2.2%
Non-capital financing activities	8,829,104	9,159,060	(329,956)	-3.6%
Capital financing activities	13,458	(2,303,271)	2,316,729	-100.6%
Investing activities	27,531	93,107	(65,576)	-70.4%
Net increase	2,105,578	331,950	1,773,628	534.3%
Cash and cash equivalents, beginning of year	1,224,663	892,713	331,950	37.2%
Cash and cash equivalents, end of year	$ 3,330,241	$ 1,224,663	$ 2,105,578	171.9%

Fiscal Years 2020 and 2019 Comparative Debt Service Summary

During fiscal year 2020, the College increased its debt to pay off two existing loans and finance a new diesel building which will be built in FY21. All payments were made when due and the College paid off the 2018 loan payable and the Football field track loan. The excess cash from the refinance will be used to build the Diesel Technology Center in FY21.

	June 30		Increase	Percent
	2020	2019	(Decrease)	Change
Outstanding debt service:				
2019 Series COP's	$ 3,835,000	$ -	$ 3,835,000	
Spring Hill Apartment loan	195,000	-	195,000	
2018 loan payable	-	649,451	(649,451)	-100.0%
Winery incubator loan	106,815	119,978	(13,163)	-11.0%
Winery remodel loan	460,152	499,696	(39,544)	-7.9%
Football field track loan	-	1,529,348	(1,529,348)	-100.0%
Compensated absences	270,638	247,231	23,407	9.5%
Net pension liability	75,802	113,117	(37,315)	-33.0%
Total OPEB liability	485,282	339,678	145,604	42.9%
Total outstanding debt service	$ 5,428,689	$ 3,498,499	$ 1,930,190	55.2%

Factors Bearing on the College's Future

At the time these financial statements were prepared and audited, the College felt the negative impact of the Covid-19 pandemic. The pandemic has interrupted the normal operations of HCC and it is unclear what adverse long-term impact this may have on the college.

Request for Information

This financial report is designed to provide a general overview of Highland Community College's finances to all those interested in the College's accountability for the revenue it receives. Questions, concerns, or additional information regarding this report or any information contained therein should be directed to the Vice President of Finance and Operations, 606 W. Main, Highland, Kansas 66035.

HIGHLAND COMMUNITY COLLEGE
STATEMENT OF NET POSITION
June 30, 2020

		Primary Institution
Assets:		
Current assets:		
Cash and cash equivalents	$	3,327,581
Receivables:		
Grants		37,242
Accounts, net of allowances of $ 225,694		599,342
Prepaid items		4,037
Inventories		69,206
Total current assets		4,037,408
Noncurrent assets:		
Restricted cash and cash equivalents		2,660
Assets held for resale		149,167
Textbooks, net of accumulated depreciation of $ 788,106		216,202
Capital assets:		
Land		620,320
Buildings and improvements		27,213,638
Furniture and equipment		2,112,193
Vehicles		435,956
Less accumulated depreciation		(13,636,884)
Total noncurrent assets		17,113,252
Total assets		21,150,660
Deferred outflows of resources:		
Deferred outflows - pensions		55,567
Deferred outflows - OPEB		141,330
Total deferred outflows of resources	$	196,897

(Continued)

HIGHLAND COMMUNITY COLLEGE
STATEMENT OF NET POSITION
(Continued)
June 30, 2020

		Primary Institution
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	$	599,042
Deposits held in custody for others		34,200
Unearned revenue		456,494
Accrued compensated absences, current portion		270,638
Loans payable, current portion		227,445
Total current liabilities		1,587,819
Noncurrent liabilities:		
Net pension liability		75,802
Total OPEB liability		485,282
Loans payable		4,369,522
Total noncurrent liabilities		4,930,606
Total liabilities		6,518,425
Deferred inflows of resources:		
Deferred inflows - pensions		80,132
Deferred inflows - OPEB		96,063
Total deferred inflows of resources		176,195
Net position:		
Net investment in capital assets		12,148,256
Restricted for:		
Nonexpendable:		
Endowments		2,660
Unrestricted		2,502,021
Total net position	$	14,652,937

See accompanying notes to financial statements.

HIGHLAND COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2020

	Primary Institution
Operating revenues:	
Student tuition and fees (net of scholarship allowances of $ 3,796,529)	$ 4,037,155
Federal grants and contracts	4,282,101
State and local grants and contracts	2,108,019
Auxiliary enterprises	3,537,092
On-behalf payments	1,310,269
Gifts and contributions	202,528
Other operating revenues	629,161
Total operating revenues	16,106,325
Operating expenses:	
Education and general:	
Instruction	5,785,847
Athletics	1,864,404
Academic support	2,669,567
Community service	244,345
Research	64,306
Student services	1,751,578
Institutional support	3,781,144
Operations and maintenance	1,293,498
Depreciation and amortization	1,008,027
Financial aid	3,296,186
Auxiliary enterprises	1,227,175
Auxiliary depreciation	332,727
On-behalf payments	1,310,269
Total operating expenses	24,629,073
Operating loss	(8,522,748)
Nonoperating revenues (expenses):	
State and local appropriations	4,015,987
Property taxes	1,933,010
Pell grants	2,875,613
Investment income	15,786
Interest on indebtedness	(135,931)
Other nonoperating expenses	4,494
Net nonoperating revenues	8,708,959
Increase in net position	186,211
Net position - beginning of year	14,466,726
Net position - end of year	$ 14,652,937

See accompanying notes to financial statements.

HIGHLAND COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
Year Ended June 30, 2020

		Primary Institution
Cash flows from operating activities:		
Tuition and fees	$	5,304,437
Grants and contracts		6,626,257
Auxiliary enterprise charges		3,537,092
Gifts and contributions		202,528
Other receipts		1,182,510
Payments to suppliers		(7,025,071)
Payments to employees		(10,354,840)
Payments for employee benefits		(1,573,733)
Payments for scholarships and financial aid		(4,663,695)
Net cash from operating activities		(6,764,515)
Cash flows from noncapital financing activities:		
State appropriations		4,015,987
Property taxes		1,933,010
Pell grant		2,875,613
William D. Ford direct lending receipts		2,782,186
William D. Ford direct lending disbursements		(2,782,186)
PLUS loans receipts		15,637
PLUS loans disbursements		(15,637)
Other		4,494
Net cash from noncapital financing activities		8,829,104
Cash flows from capital and related financing activities:		
Purchases of capital assets		(1,364,417)
Purchases of textbooks		(305,363)
Proceeds from issuance of long-term debt		4,030,000
Principal paid on long-term debt		(2,231,506)
Interest paid on long-term debt		(115,256)
Net cash from capital and related financing activities		13,458
Cash flows from investing activities:		
Sale of assets held for resale, net		11,745
Interest on investments		15,786
Net cash from investing activities		27,531
Net increase in cash and cash equivalents		2,105,578
Cash and cash equivalents, beginning of year		1,224,663
Cash and cash equivalents, end of year	$	3,330,241
Reconciliation of cash and cash equivalents to statement of net position:		
Unrestricted cash and cash equivalents	$	3,327,581
Restricted cash and cash equivalents		2,660
Total cash and cash equivalents, end of the year	$	3,330,241

(Continued)

HIGHLAND COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
(Continued)
Year Ended June 30, 2020

		Primary Institution
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(8,522,748)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization		1,340,754
Changes in assets and liabilities:		
Grants receivable		(3,148)
Accounts receivable, net		453,122
Prepaids		46,083
Inventories		(27,926)
Deferred outflows - pensions		41,049
Deferred outflows - OPEB		(132,664)
Accounts payable and accrued liabilities		(367,307)
Deposits held in custody for others		19,050
Unearned revenue		239,285
Accrued compensated absences		23,407
Net pension liability		(37,315)
Total OPEB liability		145,604
Deferred inflows - pensions		(774)
Deferred inflows - OPEB		19,013
Net cash from operating activities	$	(6,764,515)

See accompanying notes to financial statements.

HIGHLAND COMMUNITY COLLEGE
STATEMENT OF FINANCIAL POSITION
COMPONENT UNIT
June 30, 2020

	Foundation
Assets:	
Current assets:	
Cash and cash equivalents	$ 54,177
Note receivable	195,000
Total current assets	249,177
Noncurrent assets:	
Restricted investments	4,037,192
Other investments	42,972
Capital assets:	
Land	662,920
Furniture and equipment	2,191
Less accumulated depreciation	(2,191)
Total noncurrent assets	4,743,084
Total assets	4,992,261
Liabilities:	
Payables - other	20,054
Net assets:	
With donor restrictions	4,931,015
Without donor restrictions	41,192
Total net assets	$ 4,972,207

See accompanying notes to financial statements.

HIGHLAND COMMUNITY COLLEGE
STATEMENT OF ACTIVITIES
COMPONENT UNIT
Year Ended June 30, 2020

	Foundation		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Operating revenues:			
Gifts and contributions	$ 99,679	$ 939,589	$ 1,039,268
Net investment income	-	113,746	113,746
Net assets released from restriction	402,431	(402,431)	-
Total operating revenues	502,110	650,904	1,153,014
Operating expenses:			
Program services	279,406	-	279,406
Support services	139,126	-	139,126
Total operating expenses	418,532	-	418,532
Increase in net assets from operations	83,578	650,904	734,482
Other revenues (expenses), net	-	107,246	107,246
Change in net assets	83,578	758,150	841,728
Net assets, beginning of year	(42,386)	4,172,865	4,130,479
Net assets, end of year	$ 41,192	$ 4,931,015	$ 4,972,207

See accompanying notes to financial statements.

HIGHLAND COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
COMPONENT UNIT
Year Ended June 30, 2020

Cash flows from operating activities:		
Change in net assets	$	841,728
Adjustment to reconcile change in net assets to net cash from operating activities:		
Changes in operating assets and liabilities:		
Note receivable		(195,000)
Payables - other		(20,874)
Net cash from operating activities		625,854
Cash flows from investing activities:		
Increase in investments		(653,946)
Net decrease in cash and cash equivalents		(28,092)
Cash and cash equivalents, beginning of year		82,269
Cash and cash equivalents, end of year	$	54,177

See accompanying notes to financial statements.

1 - Summary of Significant Accounting Policies

Organization

Highland Community College (the College) was established in 1858 to provide a) college transfer and general education programs which parallel those courses usually offered during the first two years of a four-year program in the professions or liberal arts; b) occupational, vocational, and technical education programming which is designed to equip an individual with a marketable skill in two years or less; and c) continuing education programs which offer educational opportunities for personal growth, economic improvement, cultural development, and enrichment of personal and family living. For financial reporting purposes, the College is considered a special purpose government engaged only in business-type activities.

The Board of Trustees (the Board), a six-member group constituting an on-going entity, has governance responsibilities over all activities related to the College. In addition to revenues from student tuition and fees and from auxiliary enterprises of the College, the College receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. Board members are elected by the public and have policy making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

Financial Reporting Entity

Entities that are legally separate tax-exempt organizations are required to be reported in the College's financial statements if the resources of the affiliated organization benefit the College, the College is entitled to or can otherwise access the resources, and the resources are considered significant to the College.

Discretely Presented Component Unit. Highland Community College Foundation (the Foundation) is a legally separate tax-exempt component unit of the College. The Foundation was created to assist in the receipt, management, and distribution of economic resources to build and maintain academic and support programs for the College.

The Foundation is a nonprofit organization that reports under standards of the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Complete financial statements for the Foundation can be obtained at the Foundation's administrative office at 606 W. Main, Highland, KS 66035.

Blended Component Unit. In January 2017, the College organized Highland Vineyards and Winery, LLC (the Company) under the laws of the State of Kansas for the purpose of operating a winery incubator program at the College. The College owns 100% of the outstanding capital stock of the Company. Although the Company is a legally separate organization, the College is financially accountable for the component unit. In addition, the Company's governing body is substantially the same as the governing body of the College. The financial statements of the Company have been included within the College's reporting entity. Separately issued financial statements for the Company are not available.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenses and the related assets, liabilities, deferred inflows and deferred outflows are recognized in the accounts and reported in the financial statements. Measurement focus refers to what is being measured. The financial statements are prepared on the accrual basis of accounting and on the economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America. With this measurement focus, all assets, all liabilities, and all deferred inflows and deferred outflows are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (revenues) and decreases (expenses) in total net position. The statement of cash flows provides information about how the College meets the cash flow needs of its activities. All significant intra-agency transactions have been eliminated.

The College distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with ongoing operations. The principal operating revenues of the College are student tuition and fees and sales and services of auxiliary enterprises, net of scholarship discounts and allowances. Operating expenses include the costs of providing education and auxiliary services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. For financial reporting purposes, restricted resources are deemed to be utilized first when both restricted and unrestricted reserves are available to satisfy an expense.

Nonoperating transactions include property taxes, state and local appropriations, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance. Revenue from state and local appropriations and other contributions is recognized in the year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the College must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the College on a reimbursement basis.

Pell grant receipts are classified as nonoperating revenues and any amounts applied to student receivable accounts are recorded as scholarship discounts or allowances per guidance provided in GASB No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*.

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Cash and Cash Equivalents

Besides cash on hand and demand deposits in banks, the College considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable and Unearned Revenues

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of which reside in the State of Kansas. Accounts receivable are recorded net of estimated uncollectible amounts. Receivables from Federal and State governments are related to reimbursements pursuant to the College's grants and contracts with these governments. Unearned revenues include amounts received from tuition and fees and certain auxiliary enterprise activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Inventories

Inventories are recorded at the lower of cost or market, with cost determined using the first-in, first-out (FIFO) method.

Investments

The Foundation's investments are recorded at fair value based on quoted market prices. Unrealized gains and losses related to changes in fair value are reported in the Foundation's statement of activities.

Deferred Outflows of Resources/Deferred Inflows of Resources

In addition to assets and liabilities, the statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, *deferred outflows and deferred inflows of resources*, represent the consumption or acquisition of net position that applies to a future period and, therefore, will *not* be recognized as an outflow or inflow of resources (expense/expenditure or revenue) until then. The College has deferred outflows and deferred inflows for pensions and other post-employment benefits (OPEB) that qualify for reporting in this category. See Notes 7 and 8 for more information on these deferred outflows and deferred inflows.

Textbooks

Textbooks are assets that are being rented to the students of the College. Textbooks are depreciated using the sum-of-the-years digits method over their estimated useful life of three years. Depreciation expense is recorded in auxiliary enterprises.

Assets Held for Resale

Assets held for resale are houses built by the Technical Center Division of the College (the Technical Center) students and sold to the public once the housing project is complete. Assets held for resale are recorded at cost which approximates fair value. The proceeds of the sales are used to fund future housing projects. The College had $ 149,167 in assets held for resale at June 30, 2020.

Capital Assets

Capital assets include land, buildings and improvements, furniture and equipment, and vehicles. Capital assets are defined by the College as assets with an initial individual cost of more than $ 5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major additions and improvements are capitalized. When assets are sold, the gain or loss on the sale is recorded as non-operating gains or losses.

The College's capital assets are depreciated using the straight-line method over the estimated useful lives of the capital assets. Land and construction in progress are not depreciated. The estimated useful lives are:

Buildings	39 - 40 years
Building improvements	5 - 20 years
Furniture and equipment	3 - 50 years
Vehicles	5 - 15 years

The Foundation values donated capital assets at the estimated fair market value of the asset at the time of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

Compensated Absences

The College provides paid vacation to classified personnel based on length of service on a calendar year basis. The College provides paid vacation to administrative personnel at a standard rate, regardless of years of service. A maximum of 22 days may be carried over to the following year for vacation leave. Employees are paid for accumulated vacation upon termination of employment.

The provision for and accumulation of sick leave is based upon employment classification. Only retiring professional employees are compensated for unused sick leave. The maximum amount of accrued sick leave for which a retiring employee may be compensated is 25 percent of their accrued sick leave balance but not to exceed twenty work days.

Pensions

The employer contributions for community colleges are funded by the State of Kansas on behalf of these employers for active employees. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68. The State is treated as a nonemployer contributing entity in the Kansas Public Employees Retirement System (KPERS). Since these employers do not contribute directly to KPERS for active employees, there is no net pension liability or deferred inflows or outflows to report in their financial statements for active employees. See Note 7 for disclosures regarding the State's portion of the College's total proportionate share of the collective net pension liability that is associated with the College. The College recognizes pension expense associated with the College as well as revenue in an amount equal to the State's total proportionate share of the collective pension expense associated with the College.

The College does make contributions directly to KPERS for KPERS retirees filling KPERS covered positions per K.S.A. 74-4937, known as "working after retirement" employees. The resulting proportional share of the "working after retirement" contributions and resulting net pension liability, deferred inflows of resources and deferred outflows of resources are attributable to the College. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of KPERS and additions to/deductions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position is classified as follows:

Net investment in capital assets – This represents the total investment in capital assets, net of accumulated depreciation and related debt.

Restricted net position – nonexpendable – This includes resources that are for endowment purposes. The corpus of the endowment is restricted by external third parties and cannot be expended.

Unrestricted net position – This includes resources derived from student tuition and fees, state and local appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions related to educational and general operations and may be used at the discretion of the governing board to meet current expenses for any purpose.

Property Taxes

The lien date for property taxes is January 1. Property taxes are levied on November 1. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 of the year levied, with the balance to be paid on or before May 10 of the ensuing year. Property taxes become delinquent on December 20 of each fiscal year if the taxpayer has not remitted at least one-half of the amount due. Billing and collection is done by Doniphan County. Assessed values are established by the Doniphan County appraiser's office.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates include allowances for doubtful accounts, estimated useful lives and salvage value of property, net pension and OPEB liability, and deferred outflows and inflows related to pension and OPEB amounts.

Income Taxes

The College, as a political subdivision of the State of Kansas, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

The Foundation is organized as a Kansas nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as described in Section 501(c)(3). The Foundation has been classified as other than a private foundation by the Internal Revenue Service.

Pending Governmental Accounting Standards Board Statements

The Governmental Accounting Standards Board (GASB) has issued the following statements not yet implemented by the College.

GASB Statement No. 87, *Leases*, improves accounting and financial reporting for leases by governments. Statement 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

2 - Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the current funds - unrestricted and plant funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended June 30, 2020.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.

All legal annual operating budgets are prepared using the cash basis of accounting, modified by the recording of encumbrances. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the College for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

Spending in funds which are not subject to the legal annual operating budget requirements is controlled by federal regulations, other statutes, or by using internal spending limits established by the Board.

3 - Cash and Investments

Credit risk. Kansas statutes limit the College's investment of idle funds to time deposits, open accounts, and certificates of deposit; repurchase agreements; U.S. government securities; notes; temporary no-fund warrants; and the Kansas Municipal Investment Pool. All College deposits and investments are in cash and certificates of deposit at banks within the State of Kansas. The Foundation is not required to follow Kansas Statutes and thus may invest in any instrument allowed by the Foundation's investment policies.

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. State statutes also require that collateral pledged must have a fair market value equal to 100% of the deposits, less insured amounts, and must be assigned for the benefit of the College. At June 30, 2020, the College's deposits were not exposed to custodial credit risk.

Concentration of credit risk. The College's deposit policy does not place any limitations on the percentage of the College's total deposits that may be with any one issuer. State statutes place no limit on the amount the College may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Fair value measurement. The Foundation categorizes their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of June 30, 2020, the Foundation's investments, other than private equities were valued with quoted prices on the active market (Level 1 input), and private equities of $ 42,972 were valued using unobservable inputs (Level 3 input).

Investments held by the Foundation consisted of the following at June 30, 2020:

	Cost	Fair Value	Unrealized Gain (Loss)
Cash and sweep balance	$ 316,557	$ 316,557	$ -
Fixed income	295,125	315,306	20,181
REIT/alternative	140,000	138,523	(1,477)
Equities	1,492,412	1,685,384	192,972
Options	2,550	2,100	(450)
Other assets	78,117	70,159	(7,958)
Options (short)	(51,590)	(148,445)	(96,855)
Equity funds	1,273,659	1,528,850	255,191
Exchange traded funds	106,497	128,758	22,261
Private equities	25,000	42,972	17,972
	$ 3,678,327	$ 4,080,164	$ 401,837

Investment income of the Foundation consisted of the following for the year ended June 30, 2020:

Interest and dividends	$ 41,841
Partnership distribution	9,351
Realized loss	(61,864)
Unrealized gain	124,418
	$ 113,746

4 - Capital Assets

Summaries of changes in capital assets follow:

	Balance July 1, 2019	Additions	Retirements	Transfers	Balance June 30, 2020
Highland Community College:					
Capital assets not being depreciated:					
Land	$ 620,320	$ -	$ -	$ -	$ 620,320
Construction in progress	229,472	-	229,472	-	-
Total capital assets not being depreciated	849,792	-	229,472	-	620,320
Capital assets being depreciated:					
Buildings and improvements	26,102,923	1,593,888	483,173	-	27,213,638
Furniture and equipment	3,983,971	-	1,871,778	-	2,112,193
Vehicles	586,781	-	150,825	-	435,956
Total capital assets being depreciated	30,673,675	1,593,888	2,505,776	-	29,761,787
Less accumulated depreciation for:					
Buildings and improvements	(11,595,673)	(753,367)	483,173	-	(11,865,867)
Furniture and equipment	(3,028,506)	(220,810)	1,871,778	-	(1,377,538)
Vehicles	(510,454)	(33,850)	150,825	-	(393,479)
Total accumulated depreciation	(15,134,633)	(1,008,027)	2,505,776	-	(13,636,884)
Total capital assets being depreciated, net	15,539,042	585,861	-	-	16,124,903
Total capital assets, net	$ 16,388,834	$ 585,861	$ 229,472	$ -	$ 16,745,223

	Balance July 1, 2019	Additions	Retirements	Transfers	Balance June 30, 2020
Foundation:					
Capital assets not being depreciated:					
Land	$ 662,920	$ -	$ -	$ -	$ 662,920
Capital assets being depreciated:					
Furniture and equipment	2,191	-	-	-	2,191
Total capital assets being depreciated	2,191	-	-	-	2,191
Less accumulated depreciation	(2,191)	-	-	-	(2,191)
Total capital assets being depreciated, net	-	-	-	-	-
Total capital assets, net	$ 662,920	$ -	$ -	$ -	$ 662,920

5 - Operating Leases

The College has an operating lease for office equipment. Future payments required under the operating lease agreement are $ 123,600 for the each of the next three years. Operating lease expense related to this lease agreement was $ 123,600 for the year ended June 30, 2020.

The facilities and properties used by the Technical Center are owned by the Atchison Unified School District No. 409 (the District). As a result, the College entered into a lease agreement in 2008 with the District for use of the facilities and properties. The initial lease terms are for a ten-year period. At the expiration of the lease, the parties may, at their option, extend the lease terms for an additional ten-year period. Under the lease agreement, in lieu of paying rent to the District, the College is responsible for paying insurance, maintenance, and utility costs of the facility and property during the lease term. Any construction or improvements to the facility remain the property of the District. The lease has been extended through the year of 2029.

6 - Long-Term Debt

In prior years, the College took out a loan of $ 750,000 from Kansas State Bank to construct and remodel property and facilities in Baileyville, Kansas and entered into a Government Obligation Contract of $ 1,600,000 with Kansas State Bank to finance a Football Field Project including New Turf and an 8-Lane Track. The College paid off both of these debt obligations during the year ended June 30, 2020 by refinancing with the issuance of 2019 Series Certificates of Participation (COPs) with Security Bank of Kansas City.

2019 Series Certificates of Participation – Direct Borrowing

In fiscal year 2020, the College issued 2019 Series COPs with Security Bank in the amount of $ 3,835,000 to fund the new Diesel Technology Center in Atchison, Kansas and to pay off the loan and capital lease at Kansas State Bank. The original issuance is due in annual installments ranging from $ 150,000 - $ 340,000 and bears interest at a variable rate ranging from 1.45% - 2.65%. The COPs are collateralized by a security interest in the diesel building. Final maturity of the COPs is February 2036. The total amount due from the College to Security Bank of Kansas City is $ 3,835,000 as of June 30, 2020.

Future payments required under the COPs are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	$ 150,000	$ 96,741	$ 246,741
2022	170,000	81,343	251,343
2023	175,000	78,538	253,538
2024	175,000	72,650	247,650
2025	180,000	72,500	252,500
2026-2030	1,085,000	332,070	1,417,070
2031-2035	1,560,000	145,278	1,705,278
2036	340,000	4,505	344,505
	$ 3,835,000	$ 883,625	$ 4,718,625

Spring Hill Apartments Loan – Direct Borrowing

On May 29, 2020, the College entered into a loan agreement with the Foundation to purchase Spring Hill Apartments in the amount of $ 195,000. The loan is due in quarterly installments of $ 9,179 beginning October 2020 through July 2026 and bears interest at 4.00%. The total amount due from the College to the Foundation is $ 195,000 as of June 30, 2020.

Future payments required under the Spring Hill Apartments loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	$ 21,906	$ 6,274	$ 28,180
2022	30,244	6,473	36,717
2023	31,471	5,246	36,717
2024	32,749	3,968	36,717
2025	34,079	2,638	36,717
2026-2027	44,551	1,346	45,897
	$ 195,000	$ 25,945	$ 220,945

Winery Incubator Loan Payable – Direct Borrowing

In November 2016, the College entered into a loan agreement for $ 145,000 with the Bank of the Flint Hills for the purchase of a winery. The loan is due in annual installments of $ 17,545 and bears interest at 3.625%. The final maturity of the note is November 1, 2026. The loan is collateralized by a security interest in equipment.

Future payments required under the winery incubator loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	$ 13,674	$ 3,871	$ 17,545
2022	14,170	3,375	17,545
2023	14,684	2,861	17,545
2024	15,216	2,329	17,545
2025	15,767	1,778	17,545
2026-2027	33,304	1,820	35,124
	$ 106,815	$ 16,034	$ 122,849

Winery Remodel Loan Payable – Direct Borrowing

On June 21, 2019, the College entered into a loan agreement with the Bank of the Flint Hills for remodeling the winery purchased in 2016. The loan is due in annual installments of $ 64,946 and bears interest at 5.000%. The final maturity of the note is June 21, 2029. The loan is collateralized by a security agreement dated October 11, 2018.

Future payments required under the winery remodel loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	$ 41,865	$ 23,081	$ 64,946
2022	43,958	20,988	64,946
2023	46,156	18,790	64,946
2024	48,464	16,482	64,946
2025	50,887	14,059	64,946
2026 - 2029	228,822	29,490	258,312
	$ 460,152	$ 122,890	$ 583,042

Changes in Long-Term Debt

Current fiscal year transactions are summarized as follows:

	Balance, July 1, 2019	Additions	Reductions	Balance, June 30, 2020	Due Within One Year
Direct borrowing:					
2019 Series COPs	$ -	$ 3,835,000	$ -	$ 3,835,000	$ 150,000
Spring Hill Apartments loan	-	195,000	-	195,000	21,906
Winery incubator loan	119,978	-	13,163	106,815	13,674
Winery remodel loan	499,696	-	39,544	460,152	41,865
Bank loan	649,451	-	649,451	-	-
Football field project loan	1,529,348	-	1,529,348	-	-
Compensated absences	247,231	257,474	234,067	270,638	270,638
Net pension liability	113,117	-	37,315	75,802	-
Total OPEB liability	339,678	145,604	-	485,282	-
	$ 3,498,499	$ 4,433,078	$ 2,502,888	$ 5,428,689	$ 498,083

7 - Defined Benefit Pension Plan

General Information about the Pension Plan

Description of Pension Plan. The College participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. KPERS law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS' website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Benefits Provided. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the Kansas Legislature. Member employees with ten or more years of credited service may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee's combined age and years of credited service equal 85 "points."

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, member employees may withdraw their contributions from their individual accounts, including interest. Member employees who withdraw their accumulated contributions lose all rights and privileges of membership. The accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Member employees choose one of seven payment options for their monthly retirement benefits. At retirement a member employee may receive a lump-sum payment of up to 50% of the actuarial present value of the member employee's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. The retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

The 2012 Legislature made changes affecting new hires, current member employees and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015 was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

Funding Policy

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009. KPERS 3 members were first employed in a covered position on or after January 1, 2015. Kansas law establishes the KPERS member employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

With the exception of contributions made by the College directly to KPERS for KPERS retirees filling KPERS covered positions under K.S.A. 74-4937 (known as "working after retirement" employees), employer contributions for the College's active employees are funded by the State of Kansas on behalf of the employer. Therefore, the College is considered to be a special funding situation as defined by GASB 68, *Accounting and Financial Reporting for Pensions*. State law provides that the contribution rates paid by the State on behalf of the College be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. The statutory contribution rate was 14.41% for the fiscal year ended June 30, 2020.

Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate actuarial valuations are prepared to determine the actuarial determined contribution rate by group. To facilitate the separate actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer.

The individual employer allocation percentages for the pension amounts were based on the ratio of the employer and nonemployer contributions for the individual employer in relation to the total of all employer and nonemployer contributions of the group.

The State of Kansas contributed $ 1,310,269 directly to KPERS on behalf of the College for the year ended June 30, 2020. The payments made by the State of Kansas on behalf of the College have been recorded as both revenues and expenses in the Statements of Revenues, Expenses and Changes in Net Position.

Net Pension Liability

The College makes contributions directly to KPERS for KPERS retirees filling KPERS covered positions per K.S.A. 74-4937. During the year ended June 30, 2020, there were contributions of $ 7,544 made to KPERS for these employees. The College reported a liability for its proportionate share of the net pension liability related to these employees of $ 75,802 at June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the College reported a liability for its proportionate share of the KPERS' collective net pension liability that reflected a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the collective net pension liability, the related state support, and the total portion of the collective net pension liability that was associated with the College were as follows:

College's proportionate share of the collective net pension liability	$ 75,802
State's proportionate share of the collective net pension liability associated with the College	11,118,356
Total	$ 11,194,158

The collective net pension liability was measured by KPERS as of June 30, 2019, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. The College's proportion of the collective net pension liability was first based on the ratio of the total actual contributions made for the College (including on-behalf contributions from the State and contributions paid by the College) to KPERS, relative to the total employer and nonemployer contributions of the State/School subgroup with KPERS for the fiscal year ended June 30, 2019. The resulting proportion was then allocated to the College based on the ratio of the College's actual contributions paid directly to KPERS for "working after retirement" employees relative to the total employer and nonemployer contributions of the College for the fiscal year ended June 30, 2019. As of the measurement date of June 30, 2019, the College's "working after retirement" contributions were .00172% of total contributions made for the College (including on-behalf contributions made by the State). The total local allocation percentage for the College as of the measurement date of June 30, 2019 was .001172%.

At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 659	$ 1,961
Net difference between projected and actual earnings on pension plan investments	1,260	-
Changes in proportionate share	51,612	78,143
Changes in assumptions	2,036	28
Total	$ 55,567	$ 80,132

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30		Deferred Outflows (Inflows) of Resources
2021	$	(10,682)
2022		(2,003)
2023		(3,338)
2024		(7,844)
2025		(698)
	$	(24,565)

Actuarial assumptions. The total pension liability for KPERS in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.75 percent
Salary increases, including price inflation	3.50 -12.00 percent, including inflation
Wage inflation	3.00 percent
Long-term rate of return, net of investment expense, including price inflation	7.75 percent compounded annually

Mortality rates were based on the RP-2014 Mortality Tables with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated based on Scale MP-2016.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study conducted for the three-year period ending December 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of the most recent experience study, dated November 18, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	47.00%	6.85%
Fixed Income	13.00%	1.25%
Yield Driven	8.00%	6.55%
Real Return	11.00%	1.71%
Real Estate	11.00%	5.05%
Alternatives	8.00%	9.85%
Short-term	2.00%	-0.25%
Total	100.00%	

Discount rate. The discount rate used by KPERS to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The State/School subgroup of employers does not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993 and subsequent legislation, the employer contribution rates certified by the KPERS' Board of Trustees for this group may not increase by more than the statutory cap. The expected KPERS' employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the College's proportionate share of the collective net pension liability to changes in the discount rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the College's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability allocated to the College	$ 103,754	$ 75,802	$ 52,345

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS financial report.

8 - Other Postemployment Healthcare Benefits

Description. The College offers postemployment health and dental insurance to retired employees. The benefits are provided through fully insured contracts that collectively operate as a single employer defined benefit postemployment healthcare plan administered by the College. Kansas statutes provide that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements until the individuals become eligible for Medicare coverage at age 65. The health and dental insurance benefit provides the same coverage for retirees and their dependents as for active employees and their dependents. The benefit is available for selection at retirement and is extended to retirees and their dependents until the individuals become eligible for Medicare at age 65. A retiring employee who waives continuing participation in the College's health insurance program at the time of retirement is not eligible to participate at a later date. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The plan does not issue a stand-alone financial report.

Funding Policy. The College provides health and dental insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 12-5040). Kansas statutes, which may be amended by the state legislature, establish that participating retirees may be required to contribute to the employee group health benefits plan, including administrative costs at an amount not to exceed 125 percent of the premium cost for other similarly situated employees.

The College requires participating retirees to contribute 100 percent of the blended premium cost of active employees to maintain coverage.

The College appropriates funds annually for the costs associated with this retirement benefit and provides funding for expenditures on a pay-as-you-go basis through the College's general operating fund.

Employees covered by benefit terms. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries current receiving benefit payments	2
Active plan members	167
	169

Total OPEB Liability

The College's total OPEB liability of $ 485,282 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019.

Actuarial assumptions and other inputs. The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Discount rate	3.00 percent beginning of year 2.60 percent end of year
Salary increases	2.0 percent per year
Healthcare cost trend rates	Actual trend applied to 2019 renewals, decreasing 0.25 percent per year to an ultimate rate of 4.5 percent after 8 years.
Retirees' share of benefit-related costs	Retirees are responsible for the full premium rates up to 100% of the premium.
Actuarial cost method	Entry Age Normal – Level Percent-of-Pay

The discount rate was based on the average of the S&P Municipal Bond 20-Year High Grade Rate Index and Fidelity 20-Year GO Municipal Bond Index published yields.

Mortality rates were based on the Society of Actuaries Pub-2010 Public Retirement Plans Headcount-Weighted for mortality table with Scale MP-2019 Full Generational Improvement.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial valuation performed as of July 1, 2019 using the participant census as of July 1, 2019.

Changes in the OPEB Liability

	OPEB Liability
Balance at June 30, 2019	$ 339,678
Changes for the year:	
Service cost	30,295
Interest	10,919
Differences between expected and actual experience	(26,413)
Changes in assumptions or other inputs	142,803
Benefit payments	(12,000)
Net changes	145,604
Balance at June 30, 2020	$ 485,282

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.6 percent) or 1-percentage-point higher (3.6 percent) than the current discount rate:

	1% Decrease (1.6%)	Discount Rate (2.6%)	1% Increase (3.6%)
OPEB liability	$ 534,097	$ 485,282	$ 440,781

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower to 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend	1% Increase
OPEB liability	$ 419,097	$ 485,282	$ 565,569

<u>OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB</u>

For the year ended June 30, 2020, the College recognized OPEB expense of $ 43,953. At June 30, 2020, the College reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 78,542
Changes in assumptions	141,330	17,521
Total	$ 141,330	$ 96,063

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,		
2021	$	2,739
2022		2,739
2023		2,739
2024		2,739
2025		2,739
Thereafter		31,572
	$	45,267

9 - <u>Other Postemployment Benefit Plan</u>

<u>Plan Description</u>

The College participates in a multiple-employer defined benefit other postemployment benefit (OPEB) plan (the Plan) which is administered by the Kansas Public Employees Retirement System (KPERS). The Plan provides long-term disability benefits and a life insurance benefit for disabled members to KPERS members, as provided by K.S.A. 74-04927. The Plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. However because the trust's assets are used to pay employee benefits other than OPEB, the trust does not meet the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the Plan is considered to be administered on a pay-as-you-go basis.

<u>Contributions</u>

Employer contributions are established and may be amended by state statute. Members are not required to contribute. There were no employer contributions paid for benefits during the fiscal year ended June 30, 2020.

<u>Special Funding Situation</u>

The employer contributions for the College, as defined in K.S.A. 74-4931 (2) and (3), are made by the State of Kansas on behalf of the College. Therefore, the College is considered to be in a special funding situation. Accordingly, the State is required to recognize the total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense for the OPEB plan attributable to the College. The College records revenue and OPEB expense in an amount equal to the expense recognized by the State on behalf of the College.

Benefits

Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60 percent (prior to January 1, 2006, 66 2/3 percent) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

The monthly long-term disability benefit is 60 percent of the member's monthly compensation, with a minimum of $ 100 and a maximum of $ 5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, workers compensation benefits, other disability benefits from any other sources by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while the disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability begins after age 60, benefits are payable while the disability continues, for a period of five years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the shorter of the term of the disability or 24 months per lifetime.

The death benefit paid to beneficiaries of disabled members is 150% of the greater of 1) the member's annual rate of compensation at the time of disability, or 2) the members previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual insurance policy.

Covered Employees

The College has the following employees covered by the Plan as of December 31, 2018:

Active employees	177
Total	177

Total OPEB Liability

At June 30, 2020, the total OPEB liability recognized by the State of Kansas that was attributable to the College was $ 70,987.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to the measurement date of June 30, 2019, using the following actuarial assumptions:

Price inflation	2.75 percent
Wage inflation	2.75 percent
Salary increases, including wage increases	3.50 percent
Discount rate (based on 20-year municipal bond rate with an Average rating of AA/Aa or higher, obtained from the Bond Buyer General Obligation 20-Bond Municipal index)	3.87 percent

Mortality rates used for the death benefits were based on the RP-2014 Healthy Annuitant Mortality Table for Males and Females, adjusted for generational mortality improvement using MP-2019. Mortality rates used for the disability benefits are included in long-term disabilities claim termination rates.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study conducted for the period January 1, 2013 through December 31, 2015.

Revenue and OPEB Expense Recorded by the College

For the year ended June 30, 2020, the College recognized revenue and OPEB expense in an equal amount of $ 14,525.

10 - Transactions with the Foundation

The Foundation uses College employees to perform Foundation operations. The Foundation reimburses the College for a portion of the executive director’s salary and all of the bookkeeper’s salary. All payroll and withholding activities for these employees are performed by the College. The amounts paid to the College for salaries and benefits during the year ended June 30, 2020 were approximately $ 85,000.

During the current fiscal year, the College entered into a loan agreement for the purchase of Spring Hill Apartments with the Foundation. See Note 6 for the relevant information on the acquisition.

During the year ended June 30, 2020, the College received a monetary contribution of $ 181,000 from the Foundation and used it towards the football field project.

11 - Net Assets with Donor Restrictions - Foundation

The Foundation holds net assets with donor restrictions for the following purposes at June 30, 2020:

Subject to expenditure for specified purpose:		
Donor-restricted contributions	$	2,441,496
Subject to restriction in perpetuity:		
Donor-restricted contributions		1,826,599
Net investment in property and equipment		662,920
Total net assets with donor restrictions	$	4,931,015

Investment earnings on net assets with donor restrictions are considered to be available either for net assets with donor restrictions or without donor restrictions. During the year ended June 30, 2020, $ 239,506 of net assets with donor restrictions were released from restriction for the purpose of scholarships or property expenses. Additional money paid out of net assets with donor restrictions consisted of scholarships awarded to students through the College, as well as investment expenses incurred as a result of the activity in the investment accounts that the Foundation holds.

The Foundation has adopted investment and spending policies approved by the Foundation's Board of Trustees for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

12 - Commitments and Contingencies

The College is a party to various claims arising in the ordinary course of business. While the results of litigation and claims cannot be predicted with certainty, based on advice of counsel and considering insurance coverage, management believes that the final outcome of such matters will not have a material effect on the College's financial position.

The College participates in a number of federal and state assisted grant programs that are subject to financial and compliance audits by the grantor agencies or their designees. Accordingly, the College's compliance with applicable grant requirements and any disallowed costs resulting from such audits, if any, could become a liability of the College. It is management's opinion that any such disallowed costs will not have a material effect on the financial statements of the College at June 30, 2020.

13 - Risk Management

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant change in insurance coverage from the previous fiscal year. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and, on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the College operates. On March 27, 2020, the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the pandemic.

It is unknown how long the adverse conditions associated with the pandemic will last and what the complete financial effect will be to the College. As of the date of the auditors' report, the College was experiencing declining tuition and fee revenues as a result of declining enrollment. As of this date, management has not realized any material financial implications such as revenue shortages. It is unclear at this time whether the College will realize any future financial implications due to the pandemic.

For the fiscal year ended June 30, 2020, the College applied for and received two federal grant awards for the Higher Education Emergency Relief Fund totaling $ 967,270 through the CARES Act. Additionally, in the 2020-2021 academic year, the College was approved for another grant through the Strengthening People and Revitalizing Kansas (SPARK) program. These grant awards will fund pandemic (COVID-19) related expenses to support educational needs in the light of the pandemic.

14 - Tax Abatements

Doniphan County considers certain properties to be subject to economic development exemptions or neighborhood revitalization rebates for the purpose of attracting and improving businesses within its jurisdiction. For the year ended June 30, 2020, abated property taxes that impacted the College totaled approximately $ 152,500.

15 - Subsequent Event

The College has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statements are available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

HIGHLAND COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE COLLEGE'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
Last Three Fiscal Years

	2020	2019	2018
Total OPEB liability:			
Service cost	$ 30,295	$ 42,345	$ 42,505
Interest	10,919	16,673	16,356
Change in benefit terms	-	(122,857)	-
Differences between expected and actual experience	(26,413)	(62,180)	-
Changes in assumptions or other inputs	142,803	9,285	(22,003)
Benefit payments	(12,000)	(13,000)	(12,000)
Net change in total OPEB liability	145,604	(129,734)	24,858
Total OPEB liability, beginning	339,678	469,412	444,554
Total OPEB liability, ending	$ 485,282	$ 339,678	$ 469,412
Covered payroll	$ 7,603,732	$ 6,504,894	$ 6,504,894
Total OPEB liability as a percentage of covered payroll	6.4%	5.2%	7.2%

Notes to Schedule: GASB 75 requires the presentation of ten years of data. Data was not available prior to 2018. Additional years' data will be displayed as it becomes available.

HIGHLAND COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last Six Fiscal Years*

	2020	2019	2018	2017	2016	2015
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
College's proportion of the collective net pension liability	0.001172%	0.001734%	0.002190%	0.000396%	0.00178%	0.00000%
College's proportionate share of the collective net pension liability	$ 75,802	$ 113,117	$ 147,145	$ 26,606	$ 122,961	$ -
State's proportionate share of the collective net pension liability associated with the College	11,118,356	11,178,191	11,868,238	11,994,816	11,635,049	11,052,676
Total	$ 11,194,158	$ 11,291,308	$ 12,015,383	$ 12,021,422	$ 11,758,010	$ 11,052,676
College's covered payroll	$ 8,243,640	$ 8,348,098	$ 8,175,664	$ 7,890,410	$ 7,802,088	$ 7,738,851
College's proportionate share of the collective net pension liability as a percentage of its covered payroll	0.920%	1.355%	1.800%	0.337%	1.576%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	69.88%	68.88%	67.12%	65.10%	64.95%	66.60%

*GASB 68 requires presentation of ten years. As of June 30, 2020, only six years of information are available.

HIGHLAND COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last Six Fiscal Years*

	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 7,544	$ 9,929	$ 10,858	$ 13,815	$ 1,850	$ -
Contributions in relation to the contractually required contribution	(7,544)	(9,929)	(10,858)	(13,815)	(1,850)	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 8,243,640	$ 8,348,098	$ 8,175,664	$ 7,890,410	$ 7,802,088	$ 7,738,851
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*GASB 68 requires presentation of ten years. As of June 30, 2020, only six years of information are available.

Note: Contractually required contributions for the College consist of "working after retirement" contributions for KPERS retirees who are filling KPERS covered positions as College employees under K.S.A. 74-4937.

Changes in benefit terms for KPERS. Effective January 1, 2014, KPERS 1 members' employee contribution rate increased to 5.0% and then on January 1, 2015, increased to 6.0% with an increase in benefit multiplier to 1.85% for future years of service. For KPERS 2 members retiring after July 1, 2012, the cost of living adjustment (COLA) is eliminated, but members will receive a 1.85% multiplier for all years of service.

HIGHLAND COMMUNITY COLLEGE
ALL CURRENT FUNDS - UNRESTRICTED
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2020

GENERAL FUND

	Original and Final Budget	Actual	Variance Over (Under)
Cash receipts:			
Student sources:			
Tuition and fees	$ 748,126	$ 1,797,866	$ 1,049,740
Federal sources:			
Federal grants	4,829,149	3,773,436	(1,055,713)
State sources:			
State operating grant	4,015,987	4,015,987	-
State grants and contracts	348,123	-	(348,123)
Local sources:			
Current year ad valorem tax	1,876,798	1,933,010	56,212
Other sources:			
Gifts	10,823	21,528	10,705
Other income	3,858,968	592,735	(3,266,233)
Total cash receipts	$ 15,687,974	12,134,562	$ (3,553,412)
Expenditures subject to budget:			
Instruction	$ 3,568,027	3,270,143	$ (297,884)
Research	-	76,129	76,129
Public service	-	244,345	244,345
Academic support	2,056,272	2,126,239	69,967
Student services	3,294,738	986,391	(2,308,347)
Institutional support	3,566,559	5,559,211	1,992,652
Operation and maintenance	3,030,886	1,765,758	(1,265,128)
Total expenditures subject to budget	$ 15,516,482	14,028,216	$ (1,488,266)
Receipts under expenditures subject to budget		$ (1,893,654)	

(Continued)

HIGHLAND COMMUNITY COLLEGE
ALL CURRENT FUNDS - UNRESTRICTED
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
BUDGET AND ACTUAL
Year Ended June 30, 2020

POSTSECONDARY TECHNICAL EDUCATION FUND

	Original and Final Budget	Actual	Variance Over (Under)
Cash receipts:			
Student sources:			
Tuition	$ 550,000	$ 1,346,553	$ 796,553
Fees	200,000	320,341	120,341
Federal sources:			
Federal grants	-	47,313	47,313
State sources:			
State operating grant	1,833,613	1,833,613	-
State Grants and Contracts	1,647,268	1,785,241	137,973
Total cash receipts	$ 4,230,881	5,333,061	$ 1,102,180
Expenditures subject to budget:			
Instruction	$ 2,241,669	2,628,881	$ 387,212
Public Service	593,659	-	(593,659)
Academic support	133,432	362,617	229,185
Student services	427,254	533,742	106,488
Institutional support	645,174	386,276	(258,898)
Operations and maintenance	189,693	312,048	122,355
Total expenditures subject to budget	$ 4,230,881	4,223,564	$ (7,317)
Receipts over expenditures subject to budget		$ 1,109,497	

(Continued)

HIGHLAND COMMUNITY COLLEGE
ALL CURRENT FUNDS - UNRESTRICTED
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
BUDGET AND ACTUAL
Year Ended June 30, 2020

ADULT EDUCATION FUND

	Original and Final Budget	Actual	Variance Over (Under)
Cash receipts:			
Federal grants	$ 84,980	$ 103,023	$ 18,043
State grants	69,938	47,164	(22,774)
Total cash receipts	$ 154,918	150,187	$ (4,731)
Expenditures subject to budget:			
Instruction	$ 154,918	154,278	$ (640)
Receipts under expenditures subject to budget		$ (4,091)	

(Continued)

HIGHLAND COMMUNITY COLLEGE
ALL CURRENT FUNDS - UNRESTRICTED
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
BUDGET AND ACTUAL
Year Ended June 30, 2020

AUXILIARY ENTERPRISE FUND

	Original and Final Budget	Actual	Variance Over (Under)
Cash receipts:			
Sales	$ 3,533,960	$ 2,760,967	$ (772,993)
Expenditures subject to budget:			
General operating expense	$ 3,533,960	1,659,689	$ (1,874,271)
Receipts over expenditures subject to budget		$ 1,101,278	

HIGHLAND COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
National Science Foundation:		
Passed through Missouri State University:		
Viticulture and Enology Science and Technology Alliance - Education and Human Resources	47.076	$ 37,339
U.S. Department of Education:		
TRIO Cluster - Student Support Services	84.042A	247,535
Student Financial Assistance Cluster:		
Federal Supplemental Educational Opportunity Grant Program	84.007	51,770
Federal Work Study Program	84.033	104,958
Federal Pell Grant Program	84.063	2,875,613
Federal Direct Student Loans	84.268	2,797,823
Student Financial Assistance Cluster subtotal		5,830,164
Passed through Kansas Board of Regents:		
Adult Education	84.002	99,387
Adult Education Basic PD	84.002	2,981
Carl Perkins Program Improvement	84.048	97,176
		199,544
US Department of Education		
COVID-19 Higher Education Emergency Relief Fund - Institution	84.425F	338,418
COVID-19 Higher Education Emergency Relief Fund - Student	84.425E	483,635
		822,053
Total U.S. Department of Education		7,099,296
Total federal award expenditures		$ 7,136,635

See accompanying notes to schedule of expenditures of federal awards.

HIGHLAND COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2020

1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Highland Community College (the College) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The College has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3 - Guaranteed Student Loans

Guaranteed student loans, including subsidized and unsubsidized direct student loans, are presented on the basis of the amount of loans awarded and are made by the Secretary of Education rather than by the College. Due to this program being a transaction between the student and the loan origination center, these loans are not recorded in the College's financial statements. Due to the College's responsibility for determining eligibility and administering the loans, they have been included in the schedule of expenditures of federal awards.

HIGHLAND COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified:	No
Significant deficiencies identified that are not considered to be material weaknesses:	None reported
Noncompliance material to the financial statements:	None reported

Federal Awards

Internal control over major programs:	
Material weaknesses identified:	No
Significant deficiencies identified that are not considered to be material weaknesses:	None reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a):	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.007/84.033/84.063/84.268	Student Financial Assistance Cluster
84.425	Higher Education Emergency Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as a low-risk auditee:	Yes

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Trustees
Highland Community College:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Highland Community College (the College) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 18, 2021. Our report includes a reference to other auditors who audited the financial statements of Highland Community College Foundation (the Foundation), as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BT&Co., P.A.

February 18, 2021
Topeka, Kansas

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

The Board of Trustees
Highland Community College:

Report on Compliance for Each Major Federal Program

We have audited Highland Community College's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2020. The College's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the College's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BT&Co, P.A.

February 18, 2021
Topeka, Kansas